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Report Highlights:

Despite a significant increase in fluid milk production in 1998, Egyptian cheese production experienced only a modest increase. U.S. exports of NFDMM reached a record level with the largest market share in the Egyptian market. The increase in U.S. exports was mostly due to the presence of DEIP which enabled U.S. suppliers to effectively compete with subsidized exports from the EU.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

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Cheese

PSD Table						
Country:	Egypt					
Commodity:	Dairy, Cheese					
		1998		1999		2000
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1998		01/1999		01/2000
Beginning Stocks	0	0	0	0	0	0
Production	380	380	385	382	0	384
Intra EC Imports	0	0	0	0	0	0
Other Imports	13	14	12	15	0	16
TOTAL Imports	13	14	12	15	0	16
TOTAL SUPPLY	393	394	397	397	0	400
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Dom. Consumption	393	394	397	397	0	400
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	393	394	397	397	0	400
TOTAL Use	393	394	397	397	0	400
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	393	394	397	397	0	400
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Production

Egyptian fluid milk production is currently estimated at 3 million MT for 1999, about ten percent higher than the production level in 1998. About fifty percent of Egypt's milk production comes from buffaloes. The recent increase in milk production, however, was mostly due to the expansion of modern dairy farms that utilize high productivity imported cows, currently accounting for roughly 900,000 MT of milk per year. In 1998, about forty-five percent of Egypt's milk production was utilized in commercial cheese production while the rest was divided between fresh milk consumption, on-farm cheese manufacturing and the production of UHT milk. Egyptian cheese production is steadily increasing but still falls short of demand. Both the private and public sectors produce cheese. In recent years however,

the public sector market share has diminished to almost insignificant levels. Total cheese production in 1998 is estimated at about 380,000 MT, or about 3 percent higher than 1997. Total cheese production is expected to be about 382,000 MT in 1999. The most important type of cheese produced in Egypt is feta. Feta production, both commercial and homemade, makes up about 75 percent of the cheese produced and consumed in Egypt. The balance of production is spread among hard Romano about 50,000 MT, processed cheese about 30,000 MT, a small but growing quantity of mozzarella cheese and very small amount of blue and cheddar cheese.

Egypt's total annual production of Feta cheese in 1998 is estimated at about 285,000 MT, 80 percent of which is still produced by small unlicensed factories (about 5000 factories) from unpasteurized milk, despite a new regulation (yet to be enforced) that prohibits the production of feta cheese from unpasteurized milk. The balance of feta production is produced by relatively modern factories.

For several years, the government of Egypt has been trying to sell the only public sector company for dairy products (Misr Dairy which has several plants) to private buyers. So far, only one factory in Alexandria has been sold to a private investor.

Consumption

Total Egyptian consumption of cheese in 1998 is estimated at 394,000 MT, compared to 384,000 MT in 1997. Currently, Egyptian per capita consumption of cheese is estimated at 6 Kilograms per year. Cheese is an important part of the Egyptian diet and many people eat some cheese in at least one meal per day. Most cheese is consumed with bread. Feta cheese is both the most popular and least expensive type of cheese available. The hard cheese Romano known as "Romi" and processed cheese known as "Nisto" are also very popular cheeses consumed in Egypt.

In 1998, about 320 MT of imported fancy cheeses such as Parmesan, Camembert and Brie were consumed. Consumption of cheddar and mozzarella cheese (both natural and processed) is rising due to the increased number of fast food (pizza and hamburger) restaurants. For 1999, a very small increase in total cheese consumption is anticipated.

Prices

The average wholesale prices for Feta cheese in 1998 ranged between LE 6-8 per Kg, and the retail prices varied between LE 8 and 12 per Kg (depending on the type of cheese). Wholesale price of locally produced Romano cheese was between LE 12 to 14 per Kilo and retailed for LE 16 to 20 per Kg (\$1=LE.3.41). In 1998, prices of imported cheese from Europe varied between \$3,500 and \$7,500 per MT CIF, depending on the type of cheese. Gouda and Edam cheese are currently imported at \$3,500 and \$3,200 per MT CIF, respectively, and retail for about LE 20 and 24 Per Kilo respectively. Imported fancy cheese such as Camembert, Old Amsterdam and Parmesan retail between LE 70 and LE 100 per Kg (\$1U.S.=LE 3.41).

Trade & Tariffs

The private sector is responsible for virtually all of Egypt's cheese imports. The European Union (EU) is, by far, the

major cheese supplier to the Egyptian market. Import demand is generated largely by the more affluent segments of the population. According to Egyptian import statistics, cheese imports in 1998 are estimated at 14,297 MT, and expected to increase to 15,000 MT in 1999. The projected increase in imports is expected to be in cheddar cheese which used as a raw material in the production of processed cheese. U.S. cheese exports to Egypt are insignificant due to lack of price competitiveness.

It usually takes about three weeks for imported cheese to be released by Egyptian port authorities. A great deal of that time is taken to review all of the certifications required by the Ministries of Health, Agriculture and Trade. The shelf-life for imported cheese is between 6 months and one year depending upon the type of the product.

Like other WTO member countries, Egypt committed to bind and reduce its applied tariffs on dairy products as part of its Uruguay Round commitments. Egypt committed to bind its tariffs on all cheese items except fresh cheese moving to 20 percent gradually by the year 2004, and to steadily reduce those tariffs during the period from 1995 through 2004. Egypt, however still applies a 30 percent tariff on some dairy items that should have been reduced to 23 percent such as grated or powdered cheese and processed cheese not grated or powdered in containers up to 20 Kg.

An Egyptian trade officials has indicated that Egypt is not violating its WTO commitment and Egypt actually has two types of tariffs rates for cheese, one is the "published or announced" rate (30%) and the other is the "applied" rate (23%) which is the bound rate and is given to imports from WTO member countries. According to GOE Officials, Egyptian importers can request to apply this bound rate on imports from any of these countries. Traders report that imports from WTO countries they pay 25 percent plus 4 percent other charges.

Import Trade Matrix			
Country:		Units:	MT
Commodity:			
Time period:	CY		
Imports for	1997		1998
U.S.	104	U.S.	25
Others		Others	
France	5,331	Netherlands	3,913
Netherlands	3,702	France	3,711
New Zealand	2,009	New Zealand	1,921
Denmark	1,282	Australia	1,340
		Denmark	636
		Canada	272
Total for Others	12324		11793
Others not listed	1,572		2,479
Grand Total	14000		14297

Marketing Opportunities for U.S. Export

Currently, the primary suppliers of cheese to the Egyptian market are the European Union Countries and New Zealand. Opportunities for U.S. cheese exports to Egypt exist but they are limited due to lack of price competitiveness. The primary factor influencing cheese imports is the price, but there is growing segment of consumers where quality comes before price consideration when buying cheese. The average Egyptian consumer is not aware of the different types of cheese available from the U.S. However, the availability of the Dairy Export Incentive Program (DEIP) program for U.S. cheddar cheese could be a very significant factor in expanding U.S. cheese exports particularly cheddar cheese for manufacturing.

Butter

PSD Table						
Country:	Egypt					
Commodity:	Dairy, Butter					
		1998		1999		2000
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1998		01/1999		01/2000
Beginning Stocks	0	0	0	0	0	0
Production	8	9	10	9	0	10
Intra EC Imports	0	0	0	0	0	0
Other Imports	52	29	40	30	0	32
TOTAL Imports	52	29	40	30	0	32
TOTAL SUPPLY	60	38	50	39	0	42
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Domestic Consumption	60	38	50	39	0	42
TOTAL Use	60	38	50	39	0	42
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	60	38	50	39	0	42
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Production

Egypt does not have a significant butter industry. A very small amount of butter is produced on a commercial scale. Most local production is produced by farmers for home consumption, with a small amount marketed locally during weekly village markets. The lack of a significant domestic butter production in Egypt is due to several factors, the most important of which is the rapid increase in the production of lower price ghee (shortening) produced from palm olein which has decreased the incentive to produce local butter. In addition, the lack of adequate refrigeration in much of the country makes the conversion of butter to butter oil and ghee a real necessity.

Consumption

Egyptians prefer butter made from buffalo milk to butter made from cow milk due to its distinctive flavor. They also have a preference for unsalted vs. Salted butter. Only small quantities of butter are consumed in solid form and mostly sold at up-scale supermarkets. With pita style being the main type of bread used in Egypt, butter is rarely used directly on bread. Rather, butter is mostly used as an ingredient in baked goods or in fried foods. Both locally produced and imported butter are melted and stored in the form of butter ghee. That allows it to be kept without refrigeration for as long as 9-12 months. Butter ghee is preferred to vegetable oil for cooking. Because imported butter oil tends to cost a bit more than imported butter, many people buy butter which they later convert to butter oil at home. Imported butter is available throughout the year, demand generally increases during holidays, especially the fasting month of Ramadan where 20-30 percent of total annual demand is consumed.

Prices

During the last quarter of 1998 (before the Muslim fasting month of Ramadan), retail price of imported butter increased significantly and reached LE 190 per carton of 25 Kg, reflecting higher import costs (about \$ 1,850 MT/CIF). Reportedly, the increase in import prices was mainly due to small exportable quantities from both Australia and New Zealand (major butter supplier to the Egyptian market). However, the import price for butter is currently about \$ 1,500 MT/CIF, and it is retailed at LE 145 for the 25 Kg carton (\$1U.S.=LE 3.41).

Trade & Tariffs

New Zealand, Australia and Ireland, are the major suppliers of butter to Egypt. In 1998, total Egyptian butter imports declined to about 29,000 MT, compared to 38,000 MT in 1997. The main reason for this decline was a significant increase in export prices. Egyptian butter imports in 1998 included about 7,000 MT of butter oil, most of which came from New Zealand, Australia, and France. U.S. butter exports were estimated at only 178 MT in 1998 compared to zero in 1997. The low level of U.S. exports was mainly due to the high prices of U.S. butter, (in the absence of the DIEP program) compared to that of competitor suppliers from New Zealand and Australia. Total Egypt's imports of butter from January, 1999 through September 1999 is estimated at 19,389 MT. Trade sources report that imports of butter and butter oil during 1999 are expected to remain at a similar level to that of 1998.

Most butter is imported in 25 Kilograms blocks and then re-packaged for sale to grocers and supermarkets. The shelf-life for both imported and locally produced butter is 18 months and for butter oil is two years. According to importers, it takes between 15-21 days to finish all the necessary steps to clear incoming shipments of butter

or butter oil from Egyptian ports.

The current import tariffs on butter and other fats and oils derived from milk are as follows:

1-In containers up to 20 Kg 15%

2-Other 5%

In addition, there is a 3% customs service fee and 1% sales tax.

Import Trade Matrix			
Country:		Units:	MT
Commodity:			
Time period:	CY		
Imports for	1997		1998
U.S.	0	U.S.	178
Others		Others	
New Zealand	13,473	New Zealand	11,133
Australia	10,515	Australia	9,849
France	4,498	Ireland	3,616
Canada	2,662	England	1,100
Ireland	2,437	Czechoslovakia	901
		Holland	500
		Denmark	255
Total for Others	33585		27354
Others not listed	4,415		1,646
Grand Total	38000		29178

Factors affecting U.S. Export

The absence of a U.S. export program such as the Dairy Export Incentive Program (DEIP) for butter was the main factor behind the drastic decline of U.S. exports to Egypt in recent years. Although Egyptian importers of dairy products have very favorable opinion of the quality of U.S. butter they indicate that price is the most important factor that influences their import decision.

The EU countries have maintained their butter export restitutions and consequently kept their market share in the Egyptian butter market. In addition to the problem of the lack of price competitiveness of U.S. butter, Egyptian importers cited other problems, such as the quality of packing cartons. that lead them to import from non-U.S. origins.

Non Fat Dry Milk

PSD Table						
Country:	Egypt					
Commodity:	Dairy, Milk, Nonfat Dry					
		1998		1999		2000
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1998		01/1999		01/2000
Beginning Stocks	0	0	0	0	0	0
Production	0	0	0	0	0	0
Intra EC Imports	0	0	0	0	0	0
Other Imports	12	20	10	18	0	20
TOTAL Imports	12	20	10	18	0	20
TOTAL SUPPLY	12	20	10	18	0	20
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Dom. Consumption	12	20	10	18	0	20
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	12	20	10	18	0	20
TOTAL Use	12	20	10	18	0	20
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	12	20	10	18	0	20
Calendar Yr. Imp. from U.S.	0	5	0	7	0	8
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Production

Egypt has no significant milk powder production. Imported non fat dry milk (NFDM) powder is used mainly for the production of feta cheese, yogurt and ice cream. There are also small quantities of NFDM utilized in the production of chocolate and pastries. Full fat dry milk is also imported and sold for direct human consumption.

Consumption

Egypt's consumption of NFDM in 1998 increased by about 20 percent over total consumption in 1997, although it is still far below the consumption level of 1996, estimated at 23,000 MT. The rise in the NFDM consumption in 1998 was mostly due the increased demand from some feta cheese plants to meet production expansion or to supplement the use of fluid milk as a raw material. The utilization of NFDM by the feta cheese producers, in general, has been declining in the last two years due to the increased availability of fluid milk which replaced some of the imported NFDM. In 1999, however, a significant part of fluid milk production was used to satisfy the expansion of UHT milk production.

Trade & Tariffs

The private sector imports virtually all of Egypt's dry milk requirements. According to trade sources, total Egyptian NFDM imports in 1998 are estimated at about 20,000 Mt, or 20 percent higher than imports in 1997. Total NFDM imports are projected to decline slightly in 1999 due to the new government financial regulations that require importers to put cash deposit of 100 percent of the value of the imported shipment in order to open a letter of credit (LC) with Egyptian banks.

The United States, New Zealand, Australia and the EU countries are currently the main suppliers of NFDM to Egypt. In 1998, U.S. exports of NFDM increased by about 22 percent reaching a record level with 5,311 MT and 27 percent market share. This significant increase in U.S. NFDM exports to Egypt was mainly due to the availability of the Dairy Export Incentive Program (DEIP) which enabled U.S. suppliers to effectively compete with subsidized exports from EU countries. U.S. exports of NFDM to Egypt in 1999 are projected to reach 7,000 MT.

The average import price for non-fat dry milk is currently about \$1,400 per MT CIF compared to about \$1,300 per MT CIF during October 1998. The shelf-life for imported dry milk into Egypt is two years. It normally takes between 15-21 days to release a dry milk consignment from the Egyptian customs.

The Current import tariffs on NFDM are as follows:

- a) Milk and cream not containing added sugar, packages up to one kilogram: 20% of CIF value.
- B) Other NFDM not for immediate sale: 5% of CIF value.

Import Trade Matrix			
Country:		Units:	MT
Commodity:			
Time period:	CY		
Imports for	1997		1998
U.S.	4,346	U.S.	5,311
Others		Others	
Poland	5,282	France	3,043
France	2,218	Poland	2,366
Finland	748	Germany	1,365
Sweden	688	Netherlands	1,057
Ireland	688	Sweden	1,042
		Finland	944
Total for Others	9624		9817
Others not listed	1,152		4,872
Grand Total	15122		20000